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By 16 NARA Date 4-15-0

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PA/HO Department of State  
E.O. 12958, as amended  
June 21, 2006

*Pet 15-2 Iraq*

FORM DS 322(OCR)

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E/ORF/FSE: GSBROWN/LMS  
6/9/72 EXT: 20681  
E/ORF: JLKATZ

IN VIEW OF EXISTING PRESSURE  
E/ORF/FSE: JEA  
EUR/FBX: - MR. BEI\*\*IEGEL  
NEA: MR. SISCO  
TREASURY- MR. GORDON-INF03

EUR/SOV: MR. KADILIS  
NEA/ARN: MR. SEELYE  
E/IFD/IFA -MR. KENNEDY

ROUTINE LONDON, PARIS, THE HAGUE

ROUTINE ALGIERS, BEIRUT, TEHRAN, JIDDA, DHAHRAN,  
MANAMA, MOSCOW, KUWAIT, OECD PARIS, TRIPOLI, ROME

KUWAIT PLEASE PASS ABU DHABI

1. ALTHOUGH COURSE WHICH IPC NATIONALIZATION WILL RUN  
DEPENDENT TO SOME DEGREE ON RESULTS OPEC AND OAPEC CONFER-  
ENCES, AND REPORT FROM FRENCH ON THEIR CONTACTS WITH IRAQIS,  
WE BELIEVE BROAD LINES US INTEREST AND POSITION IN THIS CASE  
NOW CLEAR. OUR PRIMARY CONCERN AT THIS POINT SHOULD BE TO  
ISOLATE IRAQI ACTION, TO EXTENT POSSIBLE, FROM MIDDLE EAST  
AND OPEC POLITICS WHILE MAINTAINING SUPPORT FOR PRINCIPLE  
PROMPT AND ADEQUATE COMPENSATION.

2. WHILE NEITHER WE NOR COMPANIES CAN BE ENTIRELY CONFI-  
DENT FRENCH WILL NOT SEEK OWN SETTLEMENT AT SOME POINT,  
COMPANIES HAVE SENSIBLE AUTHORIZED CFP REPRESENTATIVE TO  
SOUND OUT IRAQIS. COMPANIES ARE ALSO EXPLORING OTHER  
CHANNELS OF COMMUNICATION WITH IRAQIS IN ORDER DEFUSE SI-  
TUATION. MEANWHILE, THEY HAVE HELD OFF LEGAL STEPS INSTI-  
TUTING FORMAL BOYCOTT OFN\* NATIONALIZED OIL.

3. IRAQIS NATIONALIZATION ACTION COULD COST GOI UP TO  
500 MILLION DOLLARS IN EXPECTED REVENUES FOR REMAINDER  
1972 AS RESULT OF BOYCOTT IMPOSED BY COMPANIES PENDING  
COMEPENSATION SETTLEMENT. WE JUDGE IRAQ UNLIKELY TO GEN\*  
FIA\*NCIAL AID FROM OPEC COLLEAGUES IN THIS AMOUNT, AND  
EXTENT TO WHICH OTHER PRODUCERS WILLING TO PUT COUNTER-  
VAILING PRESSURE ON COMPANIES BY FREEZING OR RESTRICTING  
OUTPUT IS UNCERTAIN. USSR ALSO LIKELY IN

JLK  
GEB  
JEA  
MR.  
MR.  
MR.  
MK  
MR.  
MR.

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TELEGRAM

Continuation Sheet,

FORM DS 322A(OCR)

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SHORT RUN TO BE CAUTIOUS IN OFFERING IRAQIS MASSIVE FINANCIAL OR OIL MARKETING ASSISTANCE. GOI WILL BE UNDER CONSIDERABLE ECONOMIC PRESSURE TO SETTLE WITH IPC. SYRIAN AND LEBANESE LOSS OF REVENUES COULD CONTRIBUTE TO THIS PRESSURE.

4. IN VIEW OF EXISTING PRESSURES ON IRAQ TOWARD SETTLEMENT, AND UNCERTAIN DEGREE OF ARAB AND OPEC SUPPORT, WE BELIEVE IT ESSENTIAL THAT USG OR OTHER PARENT GOVERNMENTS AVOID STEPS WHICH WOULD CRYSTALLIZE SITUATION OR PROVOKE HARPER CONFRONTATION. THIS WOULD RALLY OPEC, AND PARTICULARLY ARAB PRODUCERS, INTO ACTIVE SUPPORT OF IRAQ BY PRODUCTION CUTBACKS, MASSIVE FINANCIAL AID OR OTHER STEPS. WE HAVE THEREFORE LIMITED OUR PUBLIC COMMENTS TO EXPRESSIONS OF REGRET AT NATIONALIZATION ACTION BREAKING OFF NEGOTIATIONS, AND POINTING OUT NEED FOR NEGOTIATIONS LEADING TO COMPENSATION. AT SAME TIME WE WILL QUIETLY SUPPORT COMPANY BOYCOTT WHEN IT ESTABLISHED, BUT WILL URGE COMPANIES TO REFRAIN FROM ASSUMING PUNITIVE POSTURE, AND TO MAINTAIN NEGOTIATING CHANNELS WITH IRAQIS OPEN AND BUSY. WE BELIEVE THIS STRATEGY CAN BUY TIME FOR ORDERLY PURSUIT OF OPEC PARTICIPATION NEGOTIATIONS, WHILE AT SAME TIME KEEPING IRAQI ACTION FROM BEING SUCCESSFUL, AND CONSEQUENTLY DAMAGING PRECEDENT. IN THIS CONNECTION, WE WILL CONTINUE URGE CONSUMER COMMON FRONT ON OECD COLLEAGUES IN JUNE 12-13 OIL COMMITTEE MEETINGS, AND WITH IPC PARENT GOVERNMENTS IN PARIS MEETING JUNE 12. 44

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